

**The Role of Micro and Small Enterprises in Employment Creation  
and Income Generation**

**A Survey Study of Mekelle City, Tigray Region, Ethiopia**

A Thesis

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**Declaration**

I declare that this thesis work entitled “**The Role of Micro and Small Enterprises in Employment Creation and Income Generation a Survey Study of Mekelle City, Tigray Region, Ethiopia.**” is my original work, has not been presented earlier for award of any degree or diploma to any other university and that all sources of materials used for the thesis have been duly acknowledged. I have produced it independently except for the guidance and suggestion of my research advisors.

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*Abstract*

*Unemployment and low income are one of the present situations in urban cities of Ethiopia. The government of Ethiopia has formulated a policy to mitigate the overwhelmed problem by fostering micro and small enterprises. In this thesis an attempt is made to assess whether MSEs create employment opportunities and income increase in Mekelle city, Tigray. During the study, primary data were collected from 123 owners and 106 employees of MSEs. In addition secondary data were collected from Tigray regional state bureau of Trade, Industry and Transport. Questionnaire and interview were used as data collection instruments. For data analysis, descriptive statistical tools such as tables, frequency distribution, percentage and focus group discussions were used to describe the responses on the role of MSEs. The study revealed that there is growth rate of MSEs in Mekelle city and the five year trend of MSEs, shows 19.8 percent annual average growth rate of MSEs. Regarding employment creation, MSEs owned individually and cooperatively created to around 5.7 and 8.4 average number employees respectively in five years. There is difference among sectors in terms of number of employees per MSEs, the manufacturing and construction sector have 7.52 and 8.3 average number of employees per MSEs respectively in five years. Service sector also have 5.4 average numbers of employees per MSEs. There are different types of employment among which full time self business and full time recruited are the more dominant type of employment than other types of employment in MSE owners and employees respectively. MSEs have great contribution to income. Most of the MSE owners (44.6%) get average annual income from 30,001-60,000 birr while majority of the employees of MSEs (42.4%) get average annual income of 7,402-8,402 birr individually. Most of the MSEs also face constraints during operation and start up time and the major constraints are in their order is financial shortage and unable to get access and affordable house rent. To conclude MSEs have great contribution in reducing unemployment and in providing income to those owners and employees of MSEs. Based on the major findings a number of policy recommendations are drawn. Among these access credit has vital role in growing MSEs. Giving work place and business development service would help MSEs to produce and sell products easily.*

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## **Acronyms**

BoFED	Bureau of Finance and Economy Development
BoLSA	Bureau of Labour and Social Affair
CSA	Central Statistical Authority
FDRE	Federal Democratic Republic of Ethiopia
FUDPE	Federal Urban Development Package of Ethiopia
GNP	Gross National Product
GDP	Gross Domestic Product
ILO	International labour organization
GIS	Geographical Information System
LED	Local Economic Development
MCPPP	Mekelle City Plan Preparation Project
MELFED	Micro Enterprise Lying Foundation for Economic development
MFIs	Micro Finance Institutions
MOFED	Ministry of Finance and Economic Development
MSEDEGPR	Micro and Small Enterprise Dynamic Economic Growth and Poverty Reduction
MSEs	Micro and Small Enterprises
MWA	Mega Watt
NGO	Non Governmental Organization
SEAF	Small Enterprise Assistance Fund
PASDEP	Program for Accelerated and Sustainable Development to End Poverty
TRBOTIT	Tigray Regional Bureau of Trade, Industry and Transport
USA	United States of America

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

At this moment the importance and contribution of MSEs in stimulating development hence growth is almost acknowledged particularly in those of developing countries of Asia, Latin America and Africa. A universal definition of micro and small enterprise does not exist given the multitude of different economic, social and geographic differences with the international context of micro and small enterprise. In some countries, micro and small enterprises are categorized based on the capital that is invested and in some countries based on the employment opportunity they provide.

In many countries, especially in developing countries micro & small enterprises are small informally organized commercial operations owned and operated mostly by the poor. They account for a substantial share of the total employment and gross domestic product (GDP) contribute significantly to the alleviation of poverty and income creation. They are often the chief economic defense of the most vulnerable households in high-risk environment, such as civil conflict and natural disasters (micro enterprise laying the foundation for economic development (MELFED 2004).

Academicians, Politicians and development economists have supported the promotion of micro and small business enterprise towards job creation, poverty reduction, innovation etc. With the increasing unemployment and poverty, micro and small enterprises come to the front in employment creation and income generation.

The MSEs sector is believed to be able to fill the gap that exist between the poor and the rich in developing countries regarding income generation and, unemployment rate. Successful small businesses are the primary engines for economic development such as income growth and poverty reduction in many of the developing countries. These businesses can also build foundation for stable communities and gender equality. However, poor infrastructure, weak

public service, inadequate mechanisms for dispute resolution and lack of markets to their product and formal financing remain major impediments to small business growth (MELFED 2004).

According to the Ethiopian Central Statistic Agency (2003) almost 50 percent of all new jobs created in Ethiopia are attributable to small business enterprises. The study made by Aregash (2005), 98 percent of business firms in Ethiopia are micro and small enterprises, out of which micro enterprises represent 65 percent of all business.

According to the 2003 Central Statistic Agency (CSA) report, in Ethiopia there were 974,676 micro and 31,863 small enterprise establishments in Ethiopia, which accounted for 99.40 percent and 0.46 percent respectively of the industrial establishment. Large and medium enterprises (employing more than ten employees) were 642 accounting for the remaining of 0.11 percent. Micro enterprise and small enterprise provide employment opportunities to 877,370 (89.75 percent) and 8929 (0.91 percent) respectively (CSA 2003). Large and medium enterprises on the other hand accounted for about 9.34 percent and 0.91 percent of industrial employment respectively (CSA 2003). In addition, about 47 percent and 42 percent of these MSEs were engaged in manufacturing and petty trading respectively. The remaining 11 percent were employed in traditional activities (service, agriculture, transport, construction, mining etc). Furthermore, Gebrehiwot and Wolday (2004) depicted that the average capital of micro and small enterprises amounted to 3,528 birr and 38,354 birr respectively. In terms of number of workers, the average employment is 1.5 persons for micro and 3.3 for small enterprises.

In Tigray, there were around 72,259 MSEs as of 2008. In Mekelle, there were 20,409 only MSEs as of 2008 (Tigray Regional State Bureau of Trade, Industry and Transport, 2008). Majority of the MSEs that exist in Tigray and Mekelle are owned by female. This accounts around 52 percent and 55 percent of the MSEs in Tigray and Mekelle respectively (Tigray Regional State Bureau of Trade, Industry and Transport 2008). The total number of employees is mostly dominated by family labour, which is 81.1 percent and hired employees reach 18.7 percent. (Tigray Regional State Bureau of Trade, Industry and Transport, 2008). The major constraints facing MSEs are finance credit problem, lack of work place, market problem, lack of managerial skill, problems related with tax, rent etc. (Tigray Regional State Bureau of Trade, Industry and Transport, 2008).

Even though MSEs can be major job provider in developing countries and developed countries, still unemployment level is high in Ethiopia as compared to developing countries (Tigray Regional State Bureau of Trade, Industry and Transport, 2008).

Recently, the Federal Government of Ethiopia has given due attention for MSEs sector, by understanding that MSEs are important avenues to address local economic development (LED). Ethiopia in general, Tigray in particular is highly alienated with famine. As a result of this, 40 percent of people are living below poverty line (PASDEP 2005/6-2009/10). So as to solve these problems MSEs have paramount importance.

## 1.2. Statement of the Problem

Poor countries, like Ethiopia, at this time are highly attached with different problems like poverty, unemployment, backward culture, famine, illiteracy, high population growth rate etc. According to Federal Urban Development Package of Ethiopia 2005,

*“In Ethiopia, the number of people who can work continues to grow more rapidly than the ability of the economy to provide new employment opportunities. Unemployment, particularly urban unemployment, is one of the critical problems in the country. The rate of urban unemployment in the country was 26.4 percent in medium towns and 40 percent in large urban towns in 2005”*

Tigray in relation to Ethiopia is highly affected by long lasting war, draught due to shortage of rain. This and other factors affected Tigray to have many destitute, unemployed, less income or poor people. Mekelle is one of the cities found in Ethiopia, with high unemployment level. There were around 47,382 and 15,122 unemployed people in Tigray urban towns and Mekele town respectively (Tigray Regional State Bureau of Trade, Industry and Transport 2008). And the rate of unemployment in Mekelle is 30 percent (FUDPE 2005). In recent years, the problem of unemployment is aggravated in the town because of rapid migration of people from various parts of the region, and high natural growth rate of population, low death rate and limited job opportunity by the private sector and government. (Tigray Regional State Bureau of Trade, Industry and Transport 2008). On the other hand, due to high number of students graduating from universities, colleges and other institutions the unemployment rate is increasing (Tigray Regional State Bureau of Trade, Industry and Transport 2008). According to Tigray Regional State

Bureau of Trade, Industry and Transport (2008), 4,250 degree and diploma holders were unemployed in 2008 in Tigray due to lack of employment opportunities.

In addition to the unemployment in the city, poverty has aggravated in urban areas. According to plan for accelerated sustainable development to end poverty (PASDEP 2005/6-2009/10), Mekelle is one of the cities, which have highest population living under absolute poverty in relation to other major cities of the country (PASDEP 2005/6-2009/10). This accounts for 40 percents of the population of Mekelle.

The micro and small enterprise development strategy has started implementation recently in Ethiopia to reduce urban unemployment, poverty and bring economic development. Due to this, promoting MSEs has been taken as a tool in Mekelle city, like other cities of Ethiopia. As the result of this, many MSEs are created in the past five to six years. Those MSEs flourished are individually owned and cooperatives enterprises. The questions are whether these enterprises contribute to employment generation and its sustainability? If MSEs contribute to income creation for those individuals engaged in MSEs? What is the trend of MSEs in Mekelle city? what are the prospects and challenges of MSEs

### 1.3. Objective of the Study

**General Objective:** the general objective of the study is to assess the role of micro and small enterprises in employment creation and income generation in Mekelle city.

**Specific Objectives:** the specific objectives of this research paper are

- 1 To assess the growth rate of MSEs in Mekele city.
- 2 To assess the role of MSEs in employment creation and its sustainability
- 3 To assess the role of MSEs in income generation.
- 4 To assess the prospects and major constraints (internal and external) of MSEs in the study area.

#### 1.4. Significance of the study

There are many MSEs in Mekelle. Their potential to create employment and to generate income makes them crucial economic instrument. Hence, the result of the research will provide relevant information to policy makers and local development planners working on the development of conducive environment for MSEs. Furthermore, the study will provide additional information about the role of MSEs in employment creation in Mekelle city for interested researchers, prospective entrepreneurs, and business consulting firms.

#### 1.5. Scope and Limitation of the Study

The study covers manufacturing industry, service and construction sectors of MSEs in Mekelle. In this research the samples was taken from MSEs with registered capital less than 500,000 birr excluding consultancy firms. The other types of sectors, other than the three sectors mentioned above, are beyond the scope of the study because of time and finance constraints. Secondly, in some of the enterprises the owners (managers) was not found. In this case data was collected through the acting managers and finance heads. Next respondents also show a tendency of underestimating their income and capital; this is because they fear tax and other related problems. Finally, although data are lacking on micro and small enterprises in Tigray, this did not affect the result of the research.

#### 1.6. Organization of the Paper

The research paper has been prepared in five chapters. The first chapter is introduction; which includes statement of the problem, objectives, methodology, significance of the study, scope and limitation of the study. Literature review is second chapter and the third chapter deals with brief description of the study area and research methodology. Results obtained are discussed in chapter four and finally chapter five presents the summary, conclusion and recommendation of the study.



# CHAPTER TWO

## REVIEW OF RELATED LITERATURE

The history of small business has been one of the most controversial stories in economic development in the world. It is not known when MSEs start. The role of small business in an economy has frequently been undermined and misinterpreted this is because that many governments emphasize on the attraction and promotion of large enterprises by thinking that most of the economic development or income comes from large industries.

### 2.1. Definition and classification of MSEs

What is stated or identified as micro and small enterprises in many industrialized countries may differ in other developing countries. In developed countries micro enterprises can be labeled as small or medium in developing countries. This is because the amount of capital invested and the number of people employed in operating and implementing MSEs and the level of technology vary from one country to another. In some countries MSEs labeled based in the number of employees and others on capital invested.

Most definitions of MSEs depend up on the policy makers (financiers, labor officers, traders and service personnel). The common criteria that are used by different countries are

1. Number of employees
2. Asset employed
3. Sales turn over or
4. Combination of the above three factors.

The Central Statistical Authority (2002) of Ethiopia, defined MSEs

*‘as household type establishment /activity/, which are mainly engaged in marketed production, are not registered companies or co-operatives, have no full written book of accounts, have less than 10 persons engaged in the activities and have no license.’*

To determine the size of enterprise, Hailay (2003) gives the following category of industry and criteria.

Table 1: Definition of MSEs

Country	Category of industry	Criteria
Ethiopia	Micro enterprise (ME)	Investment paid up capital not exceeding Br 20,000
	Small and medium enterprise	Investment paid up capital Br 20,000-50,000
France	MSE	<500 employees
USA	Very small enterprise	10-499 employees
Indonesia	Micro enterprise	<20 employees
	Small enterprise	20-99 employees
	Medium enterprise	100-499 employees
Ghana	Micro enterprise	1-4 employees
	Small enterprise	5-29 employees
	Medium enterprise	30-140 employees

Source: hailay 2003

Micro and small enterprises are defined in several countries within their different purposes and intention. Thus, definitions depend on the government policies. There are different MSEs, which have different technological advancement or know how, the nature of the raw materials use and the market they have for their product. These different classes of enterprises seen in the above are different with their developmental advantages and with respect to their impact of policy and policy change. Thus it makes problematic to speak or define MSEs in universally accepted way (Drik 1994, cited in Ephrem 2005). However the yardsticks more or less applied by most countries singly or in combination are the following

- capital investment in plant and machinery
- number of workers employed
- volume of production or turn over business (Hewaliyan, 2002)

According to Jean-Luc Camilleri (2005) In Africa, MSEs will be divided in three levels

The enterprises whose capital is less than Euro 100- MSEs that are small and survival business in particular engaged in the field of trade. Their potential accumulation or growth is almost zero.

The enterprises whose capital is between Euro 100 and Euro 700- These emerging enterprises sometimes have premises and sufficient technical knowledge like traditional blacksmiths and carpenter. Their technologies are simple, their tools basic and their needs mostly in working capital but also in equipment (Jean-Luc Camilleri).

The enterprises whose capital is between Euro 700 and Euro 10,000- In this area, activities are not seasonal but permanent enterprises such as welders operate with fixed premises and more sophisticated technologies which require relatively important investments. The dynamic micro enterprises with high potential growth can be assimilated to small enterprises (Jean-Luc Camilleri)

## 2.2. Common Characteristic of MSEs

There are assumptions that are common characteristics of MSEs. These common characteristics are; they have few employees, give low income, not experience much growth and do not produce for markets outside their local environment (Eversole, 2003).

### 2.2.1. Employment Generation

Available evidence suggests that micro enterprise do not show growth in terms of number of people employed (Mead,D,C and Liedlholm,C, 2000).While small firms experience both high job creation and destruction rates, it appears that job destruction during recession is lower in small enterprise than in large enterprises perhaps due to greater wage flexibility in small firms (Snodgrass & Biggs 1998). In contrast, large firms offer better in terms of wages, fringe benefits, good working conditions, opportunities for skill enhancement and job security (Snodgrass & Biggs 1998).

According to the study made by liedlholm (2002), the closures rate for MSEs of developing countries in Africa and Asia is occurred in the early years of firm's existence. In Kenya, Botswana, Swaziland, and Zimbabwe, over 50 percent of the small firms get closed within three years of start up. Ibid page 22 added that *''Since small firms have higher gross job creation and*

*destruction rates than large enterprises, small firms may offer less job security than large firms. In the US for both new and already existing jobs, Jobs durability increases with firm size''.*

### 2.2.2. Location and Survival Rate of MSEs

Location can play a central role in determining MSEs survival. MSEs located in urban or commercial areas are more likely to survive than their counter in rural areas. Those that operate in commercial districts or on road sides typically show greater growth rates than those that are based on their home, although it can vary at the country level (Liedholm, 2002).

### 2.2.3. Gender and MSEs

According to op.cit based on the study of the nine countries; in five of these countries women outnumber men as owners and operators of MSEs. Those small firms tend to be concentrated in relatively specific activities like beer brewing, knitting, dress making, crocheting, cane work and retail trading. Ibid page 5 added that MSEs headed by women are more likely to be based out of their homes. Home based MSEs tend to be hidden to markets and because most homes are not on streets that people pass.

### 2.2.4. Labour Distribution in MSEs and Large Enterprises

Small firm expansion boosts employment more than large firm growth, because small firms are labor intensive, coinciding with the factor market structure of most developing countries. Many analysts argue that within industries, for a given scale of production, small firms are more labour intensive than large firms. However there are some evidences suggests that enterprise scale is an unreliable guide to labor intensity because many small firms are more capital intensive than large firms in the same industry. Labor intensity exhibits more variation across industries than among firm size groups within industries (MSE DEGPR, 2006). According to the study made by Sondgrass & Biggs (1998) depicted that *'' The fact that small firms employ a large share of the labor force in developing countries may be a more reflection of the product composition of production in those countries than inherent labor intensity of small firms''.*

### 2.2.5. Income

While there are many exceptions to the basic pattern, the evidence suggests that larger employers offer better jobs in terms of wages, fringe benefits, working conditions and opportunities for skills enhancements as well as job security. In low-income countries, small enterprises have much lower productivity levels than larger firms which lead to lower wages and non wage benefits. There is some evidence that this divergence in labor productivity and wage rates between small and large firm's narrows as countries become more developed in terms of industrialization (Snodgrass and Biggs 1998).

### 2.2.6. Efficiency and Innovation in MSEs

Efficiency and innovation is one of the determinants in MSEs survival. Snodgrass and Biggs (1998) stated that;

*“There has been a substantial difference detected in economic efficiency among enterprise of varying sizes. It is often argue that small firms are more innovative, particularly when they follow “niche strategies” using high product quality flexibility and responsiveness to customer needs as a means of competing with large scale mass producers”.*

Measures of enterprise efficiency vary greatly both within and across industries. Those that varies are labor productivities or total factor productivities. Among the total factor productivities; financial market, imperfections such as information asymmetries, transaction costs and contract enforcement costs are particularly affecting the poor who lack collateral and credit histories not to work efficiently (Beck, et.al, 2004 cited in MSE Degpr, 2006). Joseph Schumber (1995), a remarkable analyst and advocate of capitalism, asserted that the hall mark of capitalism is innovation. The only survivors are those who constantly innovate and develop new products and process to replace the old ones (Brown and Latour, 2004 cited in Kelly D. Edmison 2004).

### 2.2.7. Market Linkage

In a study made by MSE DGPR (2006), it is described that *“Market linkages amongst small firms are quite limited. The majority of small firms sell directly to final consumers although some*

*use contracting and clustering''*. The study of Millhold (2002) suggests that those MSEs that sell to traders and manufacturing firms are more likely to grow than other MSEs sells to final consumers and in view of (Small Enterprise Assistance Funds, 2004) that “*Smaller business may import fewer intermediate goods. A greater amount of products are purchased from labor intensive MSEs which may produce a large local multiplier effects*”. This in turn can lead to increased opportunities for locally sustainable growth and employment.

### 2.3. The quality of employment in MSEs

Employment growth in small enterprises does not necessarily reflect a successful development strategy. It is also important to consider the quality of employment, which can be broadly defined as the work-related factors that have an impact on the economic, social and psychological well-being as well as on the health of the employed persons (Reinecke,G. 2000).

On average, jobs in small enterprises are less productive, less remunerated, less secure and less unionized than jobs in larger enterprises, even after controlling for observable workers characteristics, such as education, sex and age (Reinecke, G. 2000). For instance, the study by Soderbom (2001) estimates that in Ghana’s manufacturing sector, a 10 percent rise in firm size is statistically associated with a 1.6 percent rise in earnings. For these reasons, many people concerned with employment quality and industrial relations view the growing emphasis on small enterprise employment as a threat rather than an opportunity. Moreover, as mentioned above, some people find work in small enterprises simply because they have no alternative. For these persons, it is a kind of survival strategy that is adopted despite low and possibly declining returns until something better comes along. As such, it is a reflection of economic failure rather than success. These enterprises can be very important in helping a large number of very poor people become a little less poor but they can generally not provide employment of high quality (Op.cit, 2000).

Most studies considering employment quality in small enterprises largely focus on income levels (or profits for the enterprise owner in the case of very small enterprises). Obviously, income is indeed a crucial dimension of employment quality, especially in countries where many workers’ incomes are insufficient to move the household they live in beyond the poverty line. However,

other dimensions of employment quality, such as occupational health issues, job security and the degree of social protection are also crucial for the well-being of the employed persons in small enterprises and their household members (Op.cit2000). Employment quality is thus a multidimensional concept (Ibid, page 97). In many developing countries, an improvement in the labour market performance may not directly be observed via decreasing rates of open unemployment or employment creation. Many persons whose employment situation improves may move from under-employment or bad quality employment to full employment or better quality employment.

## 2.4. Micro and Small Enterprises Contribution to Employment Generation and Income Creation.

### 2.4.1. International Experience

Government of less developed countries have been supporting for micro and small enterprises through various programs such as credit schemes, entrepreneurship training, technology support etc (Zaid and Torben, 2003). According to Todaro (2000) the informal sector is a major provider of urban jobs in many Asian countries. Among individual countries for which statistics available, the figure reaches 50 percent in India, 45 percent in Indonesia, 35 percent in Malaysia and 60 percent in Pakistan. In the case of Latin American countries 61 percent in Bolivia, 55 percent in Argentina, 56 percent in Brazil, and 69 percent in Paraguay. Besides, ILO (1998) survey report of 17 African countries found that the informal sector contributes on average 20 percent of GDP and 61 percent of the sub-Saharan labour force employment. For instance, in the years between 1980 and 1985 the employment share of MSEs for Kenya and Ghana was around 40 percent and 80 percent respectively, out of the total urban employment.

According to Staley and Morse (1992), 81 percent of the manufacturing establishments in the United States in 1980 had small enterprises with less than 100 employees. These establishments employed 25 percent of all manufacturing employees and produce 23 percent of the total value added by manufacturers. The relative importance of small enterprises in West Germany and United Kingdom was also greater, 27 percent and 26 percent of all manufacturing employees respectively. The percentage of small enterprises employment are even higher like in New Zealand 62 percent, Argentina 52 percent and Japan 56 percent (Staley and Morse,1992) Hence,

this shows that micro and small enterprises are contributing significantly even in developed countries.

In 2000 China had more than 20.85 million small-scale enterprises, with 128.2 million employees and generating 2,720 billion dollar in added value, and 9.14 percent increase every year of the small- scale enterprises (Daniels, L. and Mead, D.C. 1998).

In Kenya, according to the National Baseline survey of 1999, there were about 1.3 million MSEs, employing 2-4 million Kenyans, equivalent to 15 percent of the total employment and contributing 18 percent of the GDP of the country. Moreover, the MSEs sector in Kenya is very dynamic with rapid investment rates and enterprise growth (Kimuye, 1999). According to UNCTAD (2005), the income contribution of the micro and small enterprises sector in Tanzania was about 20-30 percent of the GDP, and they consist of more than 1 million enterprises engaging three-four million persons, that are about 20-30 percent of the labour force of the country.

In Burkina Faso, based on the 1990 survey on MSEs, there were 90,000 established micro enterprises. Between 1985 and 1982, the sector is estimated to have contributed 30 percent of the GNP which exceeded agriculture (20-45 percent) and the modern secondary sector (23-86 percent) in the same period. Moreover, the MSEs sector employs 77 percent of the non-agricultural population and 8.6 percent of the total active population of Burkina Faso (UNCTAD, 2005).

According to Wick ware 1998; cited in Loop, 2000), MSEs have a significant contribution in creating employment opportunities for the poor in urban areas. Accordingly, he estimates the percentage of people engage in such sectors in some sub-Saharan cities during the 1900s as; Accra 70 percent; Addis Ababa 61 percent; Dare Salaam 56 percent; Kampala 46 percent; and Harare 17 percent. Hence, MSEs have important employment share in the economy of those cities.



#### 2.4.2. Ethiopian Experience

Micro and small enterprises (MSEs) are a special focus of the government, given that they comprise the largest share of total enterprises and employment in the non agricultural sectors. In recognition of the important role MSEs have to play in creating income and employment opportunities and reducing poverty, the government drafted its first micro and small enterprise development strategy in 1997. According to the Central Statistical Authority (CSA) survey, there are almost 570,000 MSEs in Ethiopia, 99.4 percent of which are micro-enterprises with fewer than ten employees, accounting for 88.2 percent of private sector employment. The microenterprises are very small. On average, they employ one and a half workers (this includes the owner and perhaps one occasional helper), and earn an annual operating surplus of 1,300 birr. Sole proprietors operated 82 percent of urban enterprises. Of the total employment in these urban micro-enterprises, family members accounted for 60 percent. Beyond family members, apprentices constituted a large proportion of the remaining MSE work force (CSA, 2003).

The average micro-enterprise has a capital of 3,528 birr, a yearly production value of 2,300 birr and an annual surplus of 1,300 birr. Although small enterprises significantly more productive and profitable than micro-enterprises, small-scale industries are also very small, with an average of slightly more than three employees, 18,934 birr in annual operating surplus, capital of 38,554 birr, and production value of 68,800 birr. A recent study on MSEs indicated that MSEs in Ethiopia are confronted by many problems. The constraints facing MSEs in most developing economies are similar: unfavourable legal and regulatory environment and, in some cases, discriminatory regulatory practices; lack of access to markets, finance, business information; lack of business premises at affordable rent; low ability to acquire skills and managerial expertise; low access to appropriate technology; and poor access to quality business infrastructure (CSA, 2003).

According to the CSA report, the major obstacles experienced by small-scale manufacturing industries were the irregular and erratic supply of raw materials and a shortage of suitable working premises. The lack of working premises was also found to present difficulties for the informal sector operators, who faced with insufficient capital, were often impeded from the start (Ibid, page 36).

The problem of raw material shortages, lack of working capital and effective marketing practices faced by micro and small manufacturing industries result in the failure of these businesses to expand (Ibid, page 35, 2003). The same problems, when experienced by informal sector operators, have the effect of preventing their expansion almost from the beginning of their operations Ibid, page 35. Results of the Ibid, page 43 survey showed that for about 50 percent of informal sector operators, the first major difficulty when starting their operation was the lack of sufficient initial capital and this problem becomes more critical when the informal sectors operators intended to expand their businesses.

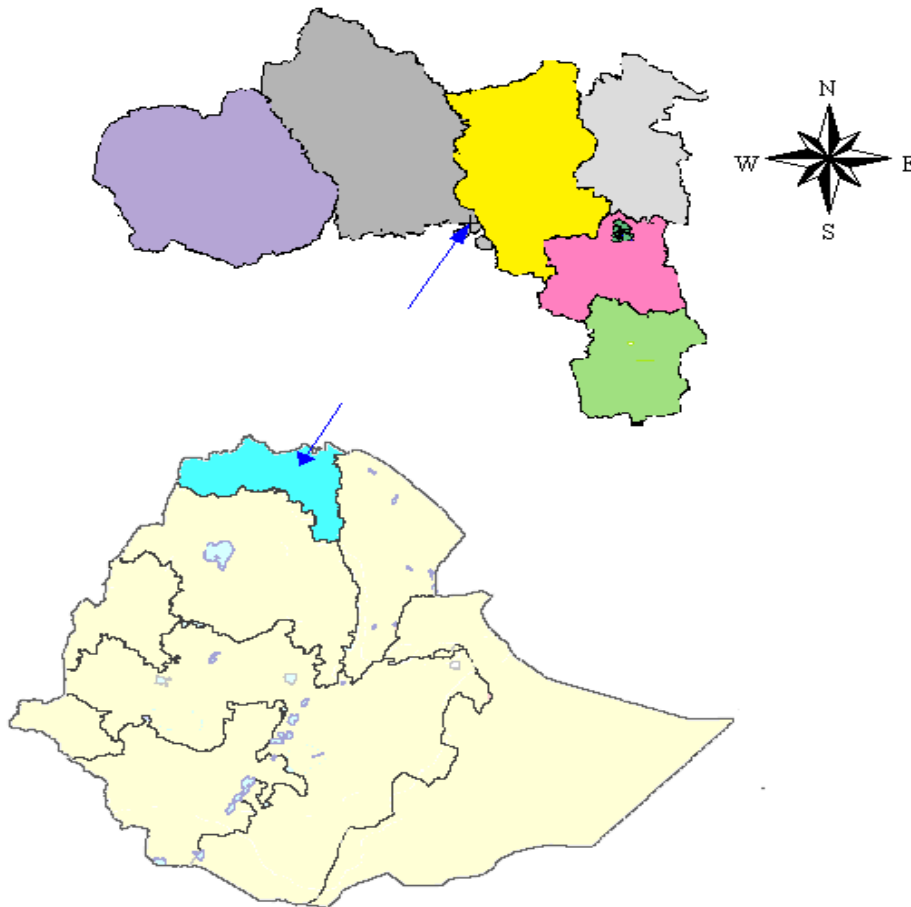
# CHAPTER THREE

## REASEARCH METHODS AND DESCRIPTION OF THE STUDY AREA

### 3.1 Description of the Study Area

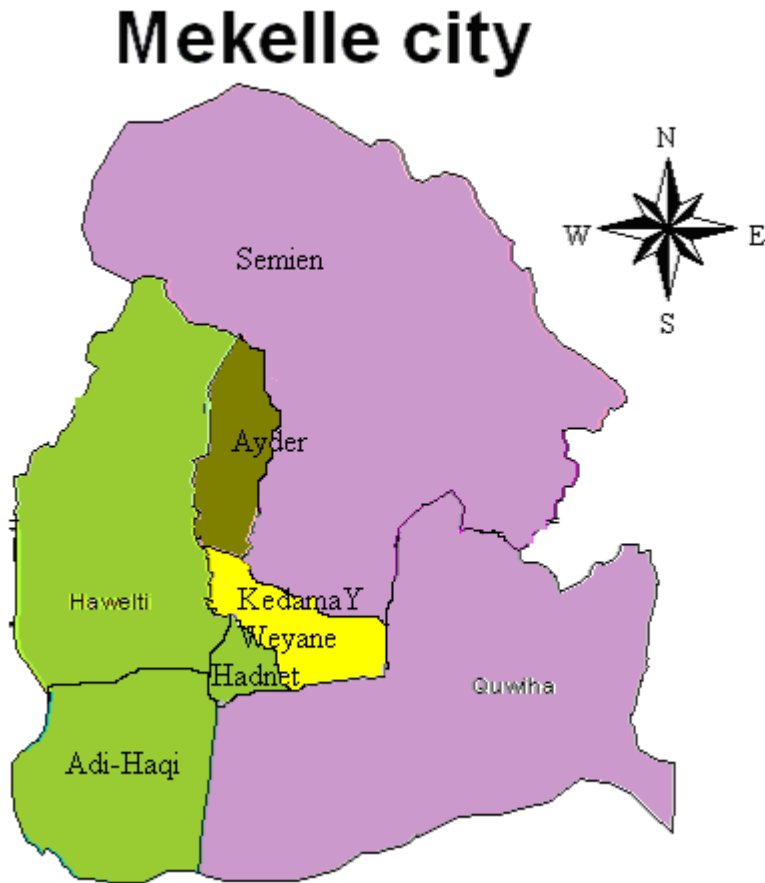
This part deals with the brief description of the study area and discusses the sources and methods of data collection as well as the analytical model employed and the estimation procedure followed during the analysis.

Fig.1: Location Map of Tigray and Ethiopia



**Source:** Tigray BoFED, GIS department (2009)

Fig.2: Location Map of Mekelle city



**Source:** Tigray BoFED, GIS Department (2009).

### 3.1.1 Location

Mekelle is located between  $13^{\circ} 32'$  north latitude and  $39^{\circ} 28'$  east longitude and elevation between 2000 to 2200 meters above sea level. It was founded by Emperor Yohannes 4<sup>th</sup> in 1860s. It is located in the northern highlands of Ethiopia, covering an area of 130 square km. The eastern side, *Enda-Eyesus* ridges are the highest peaks of the city. The major land form of the city territory can be classified into four categories namely: flat to gently sloping, gently sloping to rolling, sloping to moderately steep and steeply to very steeply sloping type. Tigray regional

state, Bureau of Finance and Economy Development, geographical information system (Tigray BoFED, GIS department 2006).

### 3.1.2 Topography

A young interior scarped plain (plateau) of shale with limestone characterizes the topography of the city. A young fault block mountain of tiled lime stone beds surrounds it with associated intrusive dolomites in the northwest and Dolomite stock fountain to the east. The average elevation of the city ranges between 2000 to 2200 meters above sea level. The city is cut up in the north by the drainage system of river Ellala (Tigray BoFED, GIS department 2006).

### 3.1.3. Population

Mekelle from the time of its establishment, as regional capital city of Tigray, the population is increasing from time to time. The major components of the city inhabitants are small scale merchants, civil servants and daily laborers. Mekelle is one of the highly populated cities in Ethiopia. According to the CSA (2009), Mekelle has 230,000 populations. 50.2 percent of this population is female. The reason for the growth of the population of Mekelle mostly it is migration of people. (Tigray BoFED, GIS Department 2006). The population increment of Mekelle 5 percent per annum. Residential houses and social and economic infrastructure development is also increasing with population growth. Moreover, Mekelle is expected to be the center of politics and administration, trade and industry and path way and destination to different areas Mekelle City Plan Preparation Project 2008 (MCPPP).

### 3.1.4. Unemployment

There is high rate of unemployment in Mekelle city. According to the survey conducted by the Central Statistical Authority (2009), the rate of unemployment in Mekelle is 21.6 percent. It is estimated that there are 28,864 persons unemployed. Of which 11,673 are male and 17,191 are female with unemployment rate of 40.4 percent and 59.6 percent respectively. (Tigray BoFED, GIS department 2006).

### 3.1.5. Infrastructure and Transport services

#### I. Road versus Transport

The total length of asphalt road currently within the city is about 40 km. This represents only 31.25 percent of the total 128 km required. The remaining road of the city constitutes gravel where it has poor shape and poorly maintained. (Tigray BoFED, GIS Department 2006). Mekelle, capital city of the region, is the center of transportation service. According to report of the office of transport, Mekelle is the departure to about 21 different parts of the country. It is a center of small, medium and big buses. These buses are providing transportation service to an estimated number of about 3,000 persons a day on average. Taxi transport service is started in Mekelle in 1995. At that time there were 7 taxis that provide service. Nowadays there are a lot of taxis and carts. According to the report of office of transport, the existing coverage of transport reached 61 percent (Tigray BoFED, GIS department 2006).

#### II. Water

The city's water supply at present is totally dependent on underground water sources. But, due to persistent drought, the underground water is getting decreased from time to time. As a result, the city's water supply is at risk. Especially, during the dry season, the water supply office is forced to ration water on a shift basis. The current water coverage of the city is estimated to be 67 percent ( Tigray BoFED, GIS department 2006.)

#### III. Telecommunication

The city is currently getting a digital telecommunications service. Cellular telephone service has also been introduced recently. At present, everyone who needs cell phone can get easily from the bureau of Ethiopian telecommunication (Tigray BoFED, GIS department 2006).

#### IV. Electricity

Mekelle city has become the beneficiary of electric power using generator since 1966. But towards the end of 1996, the city has become the beneficiary of hydro-electric power, at large with reserves of two diesel generators. Although the city has been consuming around 12 MWA, it has a transformer which can produce to the extent of 46 MWA. This actually covers including

180 km street light (30 km sodium, 60 km florescent and 60 km incandescent). But there are still many streets which are out of electric light and some needs serious maintenance. In addition, from the available 6 squares, only two of them have traffic lights (Tigray BoFED, GIS Department 2006).

## VI. Market

Currently there are 9 general and one special market which is cattle market. Although Mekelle's market was expected to accommodate more than 3,000 societies, the actual beneficiaries are only 540 (28 percent). The main problems observed in the market areas are narrowness of the plot, unavailability of open markets for the rural, narrowness of the channels, lack of public latrines, muddy and windy in the summer and winter seasons (Tigray BoFED, GIS Department 2006)

### 3.1.6. Social Service

#### Education

Educational institutions in Tigray, particularly in Mekelle, are being expanding at a faster rate. There are 15 kindergartens, 21 primary schools, and 9 secondary schools in the city. Furthermore, there are 2 technical schools, 1 university and five colleges giving training /education to middle-high level professionals. The increment of educational institutions at all level is encouraging. However, the quality of the education provided is questionable and requires attention (Tigray BoFED, GIS Department 2006)

### 3.1.7. Economic Activities of the City

The city's economic activity is largely dependent on micro and small enterprises. The majority of the inhabitants (65 percent) livelihood depends on the informal business. According to the statistical bulletin of Tigray region trade, industry and transport bureau (2007), there are a total of 6,583 licensed enterprises in the town. Out of these 3,331(50.6 percent) are retail trade, 2,860 (43 percent) service, 184(3 percent) manufacturing industries and 28 (0.4) are agriculture sectors. In addition, there are also around 23,655 micro and small business in the town operating without licenses but only undertake registration. Out of these, 47 percent are male operators and the

remaining 53 percent are females. In terms of the sectors the majority are engaged in petty trade, services and manufacturing activities (TBOTTI, MSEs census study report 2007)

## 3.2. Research Methods and Procedures

### 3.2.1. Data Type and Source

The research has relied on both qualitative and quantitative types of data. Concerning sources of data, both primary and secondary sources have been used in generating valuable and relevant data.

Primary source: primary data has been collected through field work survey. Information on the status of employment, income and other data has been collected from the MSEs owners, employees, and from process owner of Tigray Bureau of Trade, Industry and Transport. The researcher has used interview, questionnaire, and focus group discussions.

Secondary sources: In this study, secondary data has been collected from officially published and unpublished materials. Reports, statistical bulletins, brochures and other material have been used for other necessary information.

### 3.2.2. Study Design

#### 3.2.2.1 Sample Size Determination

There are several approaches to determine the sample size. These include using a census for small populations, imitating a sample size of similar studies, using published tables and applying formulas to calculate a sample size. This study applied a simplified formula provided by Yamane (1967) in order to determine the required sample size at 95% confidence level, degree of variability of= 0.5 and with the level of precision of= 9% is

$$n = \frac{N}{1 + N(e)^2} \quad n = \frac{23,834}{1 + 23,834(0.09)^2}$$

$$n = \frac{23,834}{1 + 23,834(0.0081)} \quad n = 123$$



Where  $n$  is sample size,  $N$  is the population size, and ' $e$ ' is the level of precision. According to the above formula, the sample size will be a minimum of 123. And this research paper surveyed to 123 respondents.

### 3.2.2.2 Sampling Techniques

Two samples are taken one for the owner and the other for employee. For the owner the sampling technique has been used through stratified random sampling. Here three sectors of MSEs are taken. Those are manufacturing Industry, Service, and Construction sectors. In Mekelle, there are 23,834 micro and small enterprises, 15,844 out of which are service sectors, 3,834 are manufacturing industries, 293 are construction enterprises. The remaining 3,863 MSEs out of the total 23,834 are agriculture sector. From these different sectors or each stratum, the sample has been selected through disproportional stratified sampling by judgmental decision. This is for the purpose of comparison between different sectors in their contribution to income, employment and others.

Population in the strata of manufacturing industry sector = 3,834

Population in the strata of Service sector = 15,844

Population in the strata of Construction sector = 293

The sample taken through disproportionate stratified sampling by selecting equal sample size from each sector. This is because in order to compare and contrast the three sectors regarding contribution towards employment and income and also to see the growth rate and constraints of the three sectors.

Sample 1 = 41 from manufacturing industry sector

Sample 2 = 41 from construction sector

Sample 3 = 41 from service sector

Through random table, samples of 41 MSEs have been selected from each stratum or sectors. From those 123 samples in order to compare and contrast individually owned and cooperatively owned enterprises, 45 of them are cooperatives and the rest 78 are individual owned enterprises.

This disproportionate number was done purposefully because of individually owned enterprises are more than cooperatively owned enterprises in Mekelle.

**Table 2: Type of Sector or Business Type of Samples**

Form of Ownership	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Private (sole)	26	63.4	26	63.4	26	63.4	78	63.4
Cooperatives	15	36.6	15	36.6	15	36.6	45	36.6
Total	41	100	41	100	41	100	123	100

**Source:** Own Survey, 2009

As table 2 above shows, all the three sectors have equal number of respondents. This is purposely done regarding the numbers in order to be suitable for comparison among the different sectors. The sole or individual ownership represents 63.4 percent out of the total 123 respondents and cooperatives represent the remaining number which is 36.6 percent. In each sector, the individual or sole owned is more than the cooperatives. All the samples are taken through systematic random sampling from the list of the population of MSEs. The other sample taken was for employees. Based on the owners' sample, the employees' samples were selected and this was 10 percent employees was taken through lottery method from single or one MSEs owner. The total sample sizes for employees were 106 respondents.

### 3.2.3. Data Collection and Instruments

In this research the primary data collection instruments are semi structured questionnaires, in depth interviews and focus group discussions. In order to collect the required data from selected sample, the researcher used the survey method.

The designs of the questionnaire have been close and open ended types of questions. The questionnaires have been pretested and modified before the execution of the survey. During pilot test of the questionnaires, 20 owners of MSEs and 20 employees of MSEs were selected

randomly through systematic random sampling. In the administration of questionnaire four enumerators were recruited and Trained on data collection and on the contents of the questionnaire provided. The enumerators administered the questionnaire with the supervision of the researcher. The survey was taken on December 2009.

In-depth interviews were conducted by taking 8 samples from the owners of MSE and 4 from the employees of MSEs. These sample respondents were selected using systematic random sampling from the list of the population. Such interviews with these sample respondents were undertaken believing would help the researcher find out necessary information. Similarly, officials of the MSEs support office were interviewed on various issues like the kind of employment opportunities, trends of MSEs, income creation, constraints and sustainability of the MSEs.

The other data collection method employed was focus group discussions. There were two focus group discussions containing each 6 people to enrich the information about the study. The first focus group discussion participants were owners of MSEs, experts from Tigray regional state bureau of trade, industry and transport and Mekelle city bureau of trade, industry and transport. The second focus group discussion participants were employees of MSEs, experts from Tigray regional state bureau of trade, industry and transport, Mekelle city bureau of trade, industry and transport. The researcher prepared a check list that helped to proceed the discussion.

#### 3.2.4. Data Analysis

The counting and placing of data in particular group and sub group have been done through simple and cross tabulation. Descriptive statistical tools were used to analyze data. Descriptive statistical tools such as tables, percentages, are used. Mean, maximum, minimum were used to classify the respondents annual income and number of employees per MSEs in to the above mean, below the mean, the minimum and the maximum.

# CHAPTER FOUR

## RESULTS AND DISCUSSIONS

This chapter deals with seven sections. The first section contains a summarized description of the personal characteristics of the respondents and the second section contains enterprise characteristics. The third section describes MSEs trend or growth rate. Employment opportunities created by MSEs are discussed under the fourth section. Income creation and sustainability of MSEs are examined under the fifth and sixth sections of the chapter respectively. A constraint that faces MSEs is the last section of the topic respectively.

The data are collected and then analyzed in response to the problems posed in the first chapter of this study. The findings are based on the responses of the owners and employees of the sample MSEs collected with the help of a structured and semi structured questionnaire, focus group discussion and in depth interviews conducted with selected owners of MSE and the MSEs support office officials as well.

### 4.1 Demographic Characteristics of Sample Respondents

#### 4.1.1. Gender, Marital Status and Religion

Different studies show that the demographic characteristics of an individual have a significant role in his/her entrepreneurial behavior and performance of the business enterprise he/she runs. Proper management of business organizations often depends on the educational background of the individuals in charge. Taking this into consideration, therefore, owners' level of education, age, gender, and marital status of the respondents are shown to indicate the general demographic conditions of the respondents under the sector.

According to the survey made by the researcher table 3 below, 73.8 percent of the respondents of manufacturing industry sectors, 72.8 percent of the construction and 41 percent of the service sectors owned individually or cooperatively are owned by males, 15 percent of the manufacturing industry sector, 26.2 percent of the construction sector and 39 percent of the service sector owned individually or cooperatively are owned by females. According to the study of TBOTIT (2008)

show that female entrepreneurs run the majority of MSEs in Mekelle city. However, the socio-cultural attitude could be another factor for decreasing participation of female in Manufacturing and construction sector in this study. According to the researcher Survey, the numbers of male owned MSEs are more than the numbers of MSEs owned by female which are 62.5 percent and 37.5 percent respectively. This is due to the manufacturing and the construction sectors selected by the researcher to be studied are highly dominated by male. With regards to marital status 35.3 percent are married, followed by 46.2 percent are not married. The rest of the sample respondents are divorced and widowed and those which account for about 11.3 percent and 8.2 percent of the respondents respectively. With regards to their religion, the majorities (90 percent) are orthodox followers and the rest 8 percent are Muslim and 2 percent catholic.

**Table 3: Gender and Marital Status Distribution of MSE Owners**

Gender	Manufacturing		Construction		Service sector		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Male	30	73.8	31	72.8	17	41	78	62.5
Female	11	26.2	10	27.2	24	51	45	37.5
<b>Marital Status</b>								
Married	18	45	15	35	10	26	43	35.3
Not married	19	46	22	56	15	36.6	56	46.2
Divorced	3	7	5	12	6	14	14	11.3
Widowed	4	9.7	3	7.3	3	7.3	10	8.2
<b>Religion</b>								
Orthodox	37	90.3	37	90.3	36	88	110	90
Muslim	3	7.3	4	9.7	3	8	10	8
Catholic	1	2.4	-	-	2	4	3	2

**Source:** Own Survey, 2009

Table 4: Age Distribution of the Sample Respondents by Sector

Age category of MSE owners	Manufacturing sector		Construction sector		Service sector		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
18-23	8	21	6	15	10	25	24	20.5
24-29	18	47.5	21	55	21	52.5	60	51.5
30-35	5	13.7	4	20	3	7.5	12	10
36-41	3	7.3	4	10	1	2.5	8	7
Above 42	4	10.5	4	10	5	12.5	13	11
Total	38	100	39	100	40	100	117	100
Age category of MSE employees								
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
18-23	12	32.4	12	28.6	9	33.3	33	31.1
24-29	16	43.2	13	30.9	6	22.2	35	33.2
30-35	7	18.9	7	16.6	5	18.5	19	17.9
36-41	1	2.7	6	14.3	4	14.8	11	10.3
Above 42	1	2.7	4	9.6	3	1.1	8	7.5
Total	37	100	42	100	27	100	106	100

**Source:** Own Survey, 2009

#### 4.1.2. Distribution of Sample MSE Owners by Age Group

Table 4 above, presents the age distribution of the respondents and clearly shows that majority of them fall in the working age group. Such productive work force is often believed to be an engine for the overall development of a country. Being dominantly filled by a working age group alone, however, will not prove the sector's important instrument for the economic development of the country. In order for the sector to play a significant role in the economy, other issues such as capital, land, skill, natural resources have a significance roles. With this reservation, therefore, it can be drawn that majority of the MSE owners age are youth who has better energy and speed

that would help to produce more is among the ones the country's desired economic development can be attained by.

As can be shown in table 4 above, the majority of the owners of MSEs are in the age range of 24-29, which represents 51.5 percent of the respondents. The rest 20.5 percent and 11 percent of the respondents are in the age range of 18-23 and above age 42 respectively. Only 10 and 7 percent of the MSEs represent 30-35 and 36-41 respectively.

As it is indicated in table 4 above that the majority of the employees of MSEs like the owners are in the age range of 24-29 which represents 33.2 percent of the sample respondents. The rest 31.1 and 17.9 percent of the respondents are in the age 18-23 and 30-35 respectively. Only 10.3 and 7.5 percent of the MSE employees represent 36-41 and above age 42 respectively. When MSE owners and employees age compared, majority of the owners and employees are in the same age category which is 24-29.

#### 4.1.3 Educational Level

The questionnaire included information on educational level of respondents to identify the skill of the respondent based on their level of education. Understanding the level of respondents' education helps in identifying and determining the development approaches to be followed (Aklilu.W, 2010). High level of human capital and research and development are positively associated with the performance of firms. They promote the growth of firms from low level of activities to large and better enterprises (Aklilu,W. 2010). From Table 5 below, it can be observed that the majority's education levels are from grade 9-12 (36.1 percent). Next to grade 9-12, the respondents with diploma level of education and first degree holders' accounts for 18.5 and 8.3 percent of the sample respondents respectively. It can be clearly observed from the below figure that majority of the MSE operators have less than diploma level of education which is 67.9 percent of the total respondents.

When the different sectors are compared in terms of level of education, 38.1 percent of the service sector has the highest level of education or joined tertiary level of education which is

above grade 12. According to the focus group discussion made with MSE owners and with Tigray Regional State Bureau of Trade, Industry and Transport various university and college graduates are starting to engage in the service sector due to government encouragement by providing loans and other services. As a result the service sector has more owners who have attended high levels of education than other sectors.

**Table 5: MSEs Owners Level of Education**

Educational level	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Illiterate	2	5	4	10	5	11.9	11	9
Read and write only	1	2.5	1	2.4	0	0	2	1.6
1-4	2	5	2	4.8	4	9.5	8	6.5
5-8	8	20	8	19	2	4.8	18	14.5
9-12	14	35	17	40.5	14	33	45	36.1
Diploma	8	20	5	11.9	10	23.8	23	18.5
First Degree	2	5	4	9	5	11.9	11	8.3
Second Degree and Above	-	-	-	-	1	2.4	1	0.8
Total	37	100	41	100	41	100	119	100

**Source:** Own Survey, 2009

### Employees Level of Education

From Table 6 below, it can be observed that majority of the employee's education levels are from grade 9-12 (41.8 percent). Next to grade 9-12, the respondents with diploma level and grade 5-8 come second and third by having 19.8 and 16 percent respectively. It can be clearly observed from the above figures that majority of the MSE employees have less than diploma level of



education which is 71.4 percent of the total respondents. When MSE owners and employees are compared in education level, 18.8 percent of the MSE owners are diploma holders however only 8.8 percent of the MSE employees have diploma. Almost both MSE owners and employees have equal number of respondents who have first degree holders, which is 8.3 percent and 8.8 percent of the sample respondents respectively.

**Table 6: MSE Employees Level of Education**

Educational level	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Illiterate	1	2	4	9.5	-	-	5	4.9
Read and write only	-	-	1	2.5	1	3.3	3	1.8
1-4	4	10	2	5	1	3.3	7	6.9
5-8	2	5	9	21.5	5	18.5	17	16
9-12	14	37.8	17	40	13	48.9	44	41.8
Diploma	10	27	5	12	6	22.8	21	19.8
First Degree	3	8	4	9.5	1	3.3	9	8.8
Second Degree and Above	-		-	-	-	-	-	-
Total	37	100	42	100	27	100	106	100

**Source:** Own survey,2009

## 4.2. Enterprise Information

In this study, MSEs established five years earlier are the focus of the study. This is to see the trends and growth rates of MSEs over the course of time. However, there were no cooperative owned construction sectors of MSEs in Mekelle city before 2005 (Mekelle Bureau of Trade, Industry and Transport 2008). All of the construction cooperatives were established after 2005.

This study looks at around 15 construction cooperatives established after the year of 2005. According to Table 7 below, majority of established MSEs are recent establishments. 74.4 percent of the MSEs were established in the years between 2000-2006. The rest (25.6 percent) are established between 1992-2000. By evaluating the three sectors most of the respondents of manufacturing sector (35 percent) are established earlier than construction (9.6 percent) and service (33.3 percent) sectors in the year of 1993-1999. Majority of the construction sector (90.4 percent) is established in the year 2000-2006 and this shows that among the three sectors, construction sector is the youngest sector.

**Table 7: Year of Establishment**

Year of establishment	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1993-1999	14	35	4	9.6	18	33.3	32	25.6
2000-2006	27	65	37	90.4	23	66.3	91	74.4
Total	41	100	41	100	41	100	41	100

**Source:** Own Survey, 2009

### 4.3. Dynamics or Growth of MSEs

#### 4.3.1. Trends of MSEs in Mekelle City

In Table 8 below it is indicated, the number of MSEs in Mekelle city by sector and form of ownership. To see the trend of MSEs, five year sample of MSEs was taken from three different sectors. There was a great amount of variety in number of MSEs in the consecutive years. When the growth rate of the MSEs studied, there was a high difference in growth statistics. The growth rate of MSEs from the first year of observation to the second year of observation was 18 percent, which was from 2004 to 2005. The growth rate from 2005 to 2006 was 39 percent and from 2006 to 2007 was 13 percent. There was also growth from 2007 to 2008 and which was 9 percent. When the sectors compared individually or sole owned with cooperatives growth rate, there was four years consecutive growth in individually or sole owned. However, there was not consecutive growth for four years in cooperative enterprises. Rather growing for two years and declining in

Table 8: Growth Trends of MSEs in Mekelle City In terms of Number of Establishment

Years	Manufacturing		Construction		Service		Total		Total	Annual growth rate in percentage
	Ind.	Cop.	Ind.	Cop.	Ind.	Cop.	Ind.	Cop.		
2004	1,312	7	56	7	8,041	1	9,409	15	9,424	-
2005	1,980	26	98	28	9,000	7	11,078	61	11,139	18
2006	3,210	15	123	41	12,116	39	15,449	95	15,544	39
2007	3,565	21	219	36	13,755	17	17,539	74	17,613	13
2008	2,941	11	293	44	15,920	49	19,154	104	19,254	9.3

**Source:** TRSBOTI 2009

*NB. Ind= individual, cop= cooperative*

the next year then growing in the final year of the observation. Regarding the sectors, the service sector is more than the other sectors in terms of number of establishment in Mekelle city. Both the service and the construction sector are growing fast at an average four year growth rate 23.2 percent and 19.9 percent respectively. From this it can be concluded that the service sector is better in four year average growth rate than manufacturing and construction sector. However, the manufacturing sector grew for three consecutive years and decline in the final year. Though the construction sector is growing, it is at infancy stage.

#### 4.3.2. Initial Capital versus Current Capital of the Enterprise

Table 9 below indicates that the amount of initial capital of MSEs for starting business ranges from 100-106,000 birr. Nonetheless most of the MSEs (49.3 percent) were their initial capital between 100-5,000 birr. Others (20.7 percent) of the enterprises were their initial capital between 20,001-50,000 Birr. When the sectors compared, there is no major difference among sectors. Majority of all the sectors were their initial capital between 100-5,000 birr that was 40 percent, 64.2 percent, 43.8 percent for manufacturing, construction and service respectively. Next to 100-5,000 birr, most of the respondents of the three sectors were their initial capital from 20,001-50,000 birr and 27.5 percent of the respondents of the manufacturing sector, 8.8 percent of the

construction sector and 25.8 percent of the service sector were their initial capital between 20,001-50,000 birr.

**Table 9: Initial Capital of the Enterprises**

Initial Capital Category	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
100-5,000	16	40	21	64.2	16	43.8	17.6	49.3
5,001-10,000	5	12.5	2	5.9	3	7.7	3.3	8.7
10,001-15,000	3	7.5	2	5.9	1	2.6	2	5.3
15,001-20,000	3	7.5	2	5.9	4	10.3	3	7.9
20,001-50,000	11	27.5	3	8.8	10	25.8	8	20.7
50,001-106,000	5	12.5	4	8.7	4	10.2	4.3	10.4

**Source:** Own Survey, 2009

**Table 10: Current Capital of the Enterprises**

Current Capital	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq	%	Freq.	%
300-10,000	5	13.5	12	36.1	11	29.7	29	27.9
10,001-20,000	11	29.7	2	18.1	10	29.2	28	26
20,001-100,000	6	16.2	6	18.1	5	13.5	17	15.8
100,001-200,000	7	18.9	5	15.1	6	16.2	18	16.7
200,001-500,000	8	21.6	4	12	4	10.8	16	14.7

**Source:** Own Survey, 2009

Availability of accurate information on current capital dissimilar that of initial capital is very difficult. This is because fear of taxation, fear of other new competitors will engage in the business and socio- cultural problem. Even if the researcher showed them identification card and other relevant documents, respondents are reluctant to tell the facts. As it is mentioned in earlier

chapter micro are enterprises whose capitals are up to 20,000 birr. Those enterprises are taking the majority in Ethiopia. According to the researcher survey, majority (27.9 percent) of the enterprises have current capital between 300-10,000 birr. And 26 percent of the enterprises have a capital between 10,001-20,000 birr. The rest of the respondents' current capital is 100,001-200,000 birr, 20,001-100,000 birr, 200,001-500,000 birr, which are 16.7 percent, 15.8 percent, 14.7 percent of the MSEs owners respectively.

By comparing initial capital of the MSEs with current capital, there are significance differences in the capital amount invested. In table 9 above most of the MSEs (49.3 percent) initial capital were between 100-5,000 birr however, in table 10 above most of the MSEs (74.1 percent) current capitals are above 10,000 birr.

#### 4.4. Employment Creation

Table 11: Status of Previous Occupation

Previous Occupation	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Yes	33	80.5	32	78.1	30	74.2	95	76.3
No	8	19.5	9	21.9	11	26.8	28	23.7
Total	41	100	41	100	41	100	123	100

**Source:** Own Survey, 2009

According to Tigray Regional State Bureau of Social and Labour Affairs (2008) the unemployment level for Mekelle city is 28 percent. In this study also among the MSEs owners, majority of them (76.3 percent) had previous occupations and only 23.7 percent had not had previous occupations. According to this survey MSEs created employment opportunities for those owners of MSEs. And among those owners of MSEs 23.7 percent had been unemployed, this means that MSEs created job to 23.7 percent of the employed people. In addition to this

MSEs created employment for 17.9 percent of students in high school, college and university. From this we can conclude that MSEs have indispensable role in employment creation. Those employed in MSEs also gain direct and indirect positive effect by being employee of MSEs. According to focus group discussion made, majority of owners motivated to engage in MSEs firstly, due to the background skill they have. Next, due to the expectation of better income. Finally, due to MSEs require low startup capital. From this we can conclude that experience or skill that were gained by working in MSEs helps to start their own business and to earn better income.

#### 4.4.1. Numbers of Job Created

**Table 12 Total Number of Employees by Enterprise and Form of Ownership**

Employees per year	Manufacturing						Construction						Service						Total	
	Individual			Cooperatives			Individual			Cooperatives			Individual			Cooperatives			Ind.	Co.
	M i	Me	Ma	mi	Me	Ma	m i	me	ma	mi	Me	Ma	m i	me	Ma	mi	Me	Ma	me	me
2004	1	3.7	19	6	9.08	12	1	7.58	29	5	6.5	16	1	1.9	8	6	9	12	4.39	7.2
2005	1	4.8 5	19	6	9.16	12	1	8.82	45	6	7.5	15	1	2	8	6	9	16	5.22	8.2
2006	1	6.0 7	19	6	9.41	12	1	9.64	48	5	7.5	17	1	2.1	8	6	8	15	5.9	8.1
2007	1	6.7 8	19	6	9.25	12	1	10	49	5	7.5	16	1	2.5	9	3	8.66	16	6.4	8.2
2008	1	6.7 9	19	6	8.66	12	1	9.11	34	6	7.5	16	1	2.61	8	3	8.41	14	6.17	8.9
Average of ind or cop	1	5.8 6	19	6	9.18	12	1	9.3	41	5.4	7.3	16	1	2.22	8.2	4.8	8.61	14.6	5.7	8.4
Total average	7.52						8.3						5.4						7.05	

**Source:** Own Survey, 2009

NB Mi=minimum Me=mean Ma= maximum Ind=individual Co=cooperatives

According to Table 12 above shows comparisons and contrast of different sectors and form of ownership with consecutive years. In general, the average number of employees for MSEs is 7.05. This is different for MSEs owned individually (sole) and MSEs owned cooperatively. MSEs owned cooperatively have more employees than MSEs owned individually. Those MSEs owned cooperatively have an average employee count of 8.4 and MSEs owned individually or sole has an average of 5.7 employees.

There is growth of MSEs average number of employee from year to year. In individually or sole owned MSEs the average employee was 4.39 in 2004 and become 5.7 in 2008. However it is difficult to detect or say there is growth of employees from year to year in cooperatively owned MSEs. According to focus group discussions made with stakeholders, this may be due to many reasons. First, the cooperatives do not want to increase members or employees. If members increase there will be division of wealth among the new ones. Secondly, due to conflicts that arise among members some of the members quit the job. Finally, some of the members get a better job and withdraw from the cooperative.

When the three sectors are distinguished in terms of highest number of employees; the construction sector has the highest employee count of 8.3 per MSEs and the manufacturing sector become the second with average employee count of 7.52 and the service sector is third with an average employee count of 5.41. In the above Table 13 the minimum and maximum employee count of MSEs are indicated and the minimum employee count of 1 in all sectors and the maximum employee count of 49 in the construction sector. Form this it can be concluded that the construction sector can have the capacity to recruit more employees. Encouraging construction sector has to be given more emphasis, if it is wanted to decrease unemployment.

#### 4.4.3. Types of Jobs Created

As it shown in Table 14 below, several types of employment have been mentioned with figures. According to the study there are different kinds of jobs such as full time recruited, part time recruited, casual work, family part time job, family full time job, full time self business, part time self business etc. Among those type of employment; full time self business is a type of business having more employees per enterprise than any other type of business with an average of 3.08



people. Full time recruited also have on average 1.27 people per MSEs. Casual work and family full time also on average 1.2 and 0.86 people per MSEs. Part time recruited and family part time on average are 0.51 and 0.43 peoples per MSEs respectively. The lowest number of employees on average is part time self business that accounts only 0.28 people per MSEs on average.

**Table 13: Types of Jobs Created on Average Number of Persons per MSEs**

Type of job created	Manufacturing		Construction		Service		Man	Con	Ser	Total
	Ind.	Cop.	Ind.	Cop	Ind.	Cop.				
Full time Recruited	2.46	2	0.6	0.2	0.6	0.2	2.23	0.04	1.55	1.27
Part time recruited	0.4	0.2	1	-	1	-	0.3	0.5	0.75	0.51
Full time self Business	0.9	5.2	0.8	5	0.8	5	3.05	2.9	3.3	3.08
Part time self Business	0.1	1	0.2	-	0.2	-	0.55	0.1	0.2	0.28
Causal work	0.1	0.08	4.2	2	4.2	2	0.9	2.2	0.5	1.2
Family part time Job	-	0.1	0.9	0.1	0.9	0.1	0.5	0.5	0.3	0.43
Family full time job	2	0.1	2	-	8.3	5.41	1.1	1	0.5	0.86
Average	5.86	9.18	9.3	7.3	2.22	8.61	7.52	8.3	5.41	

**Source:** Own Survey, 2009

NB: Man= manufacturing, Con=construction, Ser= service

Table 14: Skill Level of MSE Owners versus Employees

<b>Skill level of MSE owners</b>	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Skilled	36	87.8	34	82.9	30	73.1	100	81.3
Unskilled	5	12.1	7	17	11	26.9	23	18.7
Total	41	100	41	100	41	100	123	100
<b>Skill level of MSE employees</b>								
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Skilled	30	81	29	65	17	53	76	71.7
Unskilled	7	19	13	35	10	37	30	28.3
Total	37	100	42	100	27	100	106	100

**Source:** Own Survey, 2009

According to table 14 above, most of the owners of MSEs (81.3 percent) possess skill that helps to administer and operate MSEs. Only 18.7 percent of the owners of MSEs are not skilled. Skill is similar with knowledge and attitude which helps them to run the day to day activity of the business. Skills can be managerial, financial or technical skill. Most of the employees of MSEs have also the skill (71.7 percent) to run MSEs and the rest of the MSE employees (28.3 percent) do not possess skill to run MSEs. According to a focus group discussion held with stakeholders, most of the owners and employees of MSEs accumulate skill through experience while they were recruited.

#### 4.5. Income Creation

##### Previous Annual Average Income per Individual (before starting this business)

MSE owners who have previous occupation were getting annual average income of 4,387 birr. When we compare and contrast the sectors, the construction sector has an annual average income of 4,948 birr better than the other sectors. The service sector has an annual average of 4,983 birr previous income and the industry sector has annual average of 3,234 birr previous income. Some

of the MSE owners get an income outside of their enterprises. However, the average annual income is very low. The average annual income outside of this business is 362 birr.

**Table 15: Five Years Annual Average Income of Owners from MSEs by Sector and Form of Ownership**

Income category in birr	Manufacturing		Construction		Service		Total			Total
	Ind.	Cop	Ind.	Cop.	Ind.	Cop.	Ma	Se	Co	
	%	%	%	%	%	%	%	%	%	
Below 5000	24.8	14.2	12	14.2	16	-	19.5	13.1	8	13.5
5001-30,000	12.6	7.1	28	14.2	12	30.4	9.8	21.1	21.2	17.3
30,001-60,000	33.5	32.1	28	39	36	45.2	46.3	38.5	49.7	44.6
60001-84000	9.	15	8	10	4	26.6	12	9	15	12
84001-10800	3	12.2	3	-	2	-	7.1	5.9	2.9	5.3
108001-132000	-	10.1	-		4	-	5.1	-	2	2.3
132001-156000	-	17.2	-	6	4	-	8.5	3	2	4.3
156001-240000	12.6	5	5	1	4	-	9.2	-	6.4	5.2
Total	100	100	100	100	100	100	100	100	100	100

**Source:** Own Survey, 2009

According to study table 15 above, many of the respondent's (44 .6percent) annual average of five years income is between 30,001-60,000 birr. 17.3 percent of the respondents also receive a five year annual average income between 5,001-30,000 birr. 12 percent of the MSEs receive a five years annual average income between 60,001-84,000 birr. 5.2 percent of the respondents get the highest five year average annual income of MSEs of 156,001-240,000 birr. 13.5 percent of the respondents get the lowest five years average annual income of below 5,000 birr.

Regarding comparisons of ownership, the individuals or sole ownership receive more income than the cooperatives. This is because the individuals work harder than the cooperatives because they feel to have a stronger sense of ownership. In cooperatives most of the individuals work in

working hours while in individually (sole) owned enterprises work as long as work exists. The three sectors income also differs from each other. The highest income category that is between 156,001-240,000 birr is occupied by 9.2 percent of the industry sector and 6.4 percent of the service sector. The lowest income category that is below 5,000 birr is taken also highly by manufacturing sector (19.5 percent), followed by construction sector (13.5 percent) and service sector (3 percent). From this it can be concluded that entrepreneurs wants to run or open new MSEs, will get more income if they engaged in service sector since the service is the second in terms of highest income category and also the service sector is the third or last from the three sectors in terms of low income category.

**Table 16: Use of Income Gained from Business by Owners of MSEs**

Use of Income by owners of MSEs	Manufacturing		Service		Construction		Total	
	Freq.	%	Freq.	%	Freq	%		
							Freq.	%
Create new business	6	46.2	9	40.9	15	48.4	30	45.5
Use for entertainment	-	-	-	-	-	-	-	--
Use for households consumption	3	23.1	3	13.6	5	16.1	11	16.7
Put into saving	2	15.4	7	31.8	7	22.6	16	24.2
Invest in agriculture	-	-	-	-	-	-	-	-
Medical expenses	-	-	-	-	-	-	-	-
Children's education	-	-	-	-	-	-	-	-
Reinvest	2	15.4	2	9.1	4	12.9	8	12.1

**Source:** Own Survey, 2009

According to table16 above, most of the MSE owners (45.5 percent) use their dividend to create new business. 24.2 percent of the owners of these MSEs save their profit and 16.7 percent of the respondents use profit for household needs. The rest of the MSE owners use their profit for reinvesting in the current business they are running. From this it can be concluded that majority

of owners income is used for investment and this in turn leads to the growth of MSEs both in terms number of establishment and in size of the existing MSEs.

### Average Annual Income of Employees by Sector from Business

In table 17 below, the annual average five year income was taken to assess employee income.

Most of the employees of MSEs (42.6 percent) get an annual income of 7,201- 8,400 birr

**Table 17: Five Years Average Annual Income of Employees by Sector from Business (2004-2008)**

Average annual income	Manufacturing	Construction	Service	Total
	%	%	%	%
3,600-6,000 birr	30	27	40.8	32.6
6,001-7,200 birr	22	19	18.6	19.8
7,201-8,400 birr	45.2	47.8	34.8	42.6
8,401-10,800birr	2.2	3.8	5.5	3.9
1,0801-15,600 birr	0.6	2.4	0.3	1.1
Total	100	100	100	100

**Source:** Own Survey, 2009

followed by 32.6 percent of MSEs employee get a five years average annual income from 3,600-6,000 birr. 19.8 percent of the employee gets a five year average annual income from 6,001-7,200. 3.9 percent of the employees get five years average annual income of 8,401-10,800. From the respondents the highest paid employee is only 1.1 percent of the MSEs employees equaling 10,801-15,600 birr. When the five year annual incomes are compared to the lower level government salary standard of the civil servant (i.e. minimum 357 birr) it is similar with the first category of annual average income of 3,600-6,000 birr and this represents for 32.6 percent of the employees that are getting low income according to the government standard. From this we can conclude that majority of the MSEs create income which is above the lower level government salary standard of the civil servant (i.e. minimum 357 birr). However there are MSEs that cannot

pay minimum salary standard which leads to the job creation to be unsustainable and difficult to buy their basic needs.

### Use of Income by Employees

According to table 18 below, the employees of MSEs use their income for different purposes. However a majority of employees use their income for household consumption (59 percent). 15.1 percent use their income to create new business and 11.3 percent of them use it for entertainment. The rest use their income for children's education (6.6 percent), for agriculture (5.7 percent) and to put in to saving (1.9 percent).

**Table 18: Use of Income by Employees**

Use of income by employees of MSEs	Frequency	%
Create new business	16	15.1
Use for entertainment	12	11.3
Use for households consumption	62	59
Put into savings	2	1.9
Invest in agriculture	6	5.7
Medical expenses	-	-
Children's education	7	6.2
Other	-	-
Total	105	100

**Source:** Own Survey, 2009

### 4.6. Sustainability of the Enterprise

Sustainability of a business can be assured through different things. Sustainability is defined by scholars differently. Yet here in order to have business sustainability, the business must be socially supported. In other words the business should not be opposed by the society. Secondly, the business should be environmentally friendly. Last, the business should get profit.

Table 19: Opinion on Facing Challenges from Society

Response to challenges or obstacles faced from society	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq	%	Freq	%	Freq	%
Yes	7	17	4	9.7	9	23	20	16.3
No	32	78.5	30	73.3	30	73	92	74.7
Missing	2	4.5	7	17	2	4	11	9
Total	41	100	41	100	41	100	123	100

Source; Own Survey, 2009

Challenges from society are whether the surrounding society is affected negatively by MSEs. From table 19 above, only a few of the respondents (16.3 percent) face challenges from society and most of them (74.7 percent) do not face challenges from the society. According to the focus group discussion made with MSE owners, the bars and movie theatres face problems with the community, as it is socio-culturally not supported by the society.

Table 20: Challenges from Natural Environment

Response if the MSEs affect environment.	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Yes	9	22	5	12	4	9.7	18	14.6
No	30	73.2	32	78.3	35	85.5	97	78.9
Missing	2	4.8	4	9.7	2	4.8	8	6.5
Total	41	100	41	100	41	100	123	100

Source: Own Survey, 2009

Challenges from environment are whether MSEs affect the natural environment negatively or not. In table 20 above, 78.9 percent of MSE respondents' state, their enterprise is environmentally

friendly. 14.6 percent of the respondents admit their enterprise affects negatively the environment. Today pollution becomes an important scenario because it has multi dimensional affects on the environment. According to the focus group discussion made with MSE owners, grinding mills have a problem with sound and air pollution. Bars, video shops, movie/television football shows an increase sound pollution. Community members go and complain to local administrations in order to withdraw from the area.

## Market of MSEs

According table 21 below, most of the enterprises (82.9 percent) get market or demand to their product and the rest 8.9 percent did not get market to their product. The low level demand is normal phenomena to developing or poor countries like Ethiopia. The low level per capita income and the higher poverty rate of Ethiopia one can understand that there is low purchasing power or there is high deficiency of demand. Studies show that the per capita expenditure in Tigray region 854.00.

Table 21: Market of MSEs

Response if this enterprise gets market	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Yes	37	90.3	31	75.7	34	82.9	102	82.9
No	1	2.4	6	14.6	4	9.7	11	8.9
Missing	3	7.3	4	9.7	3	7.3	10	8.2
Total	41	100	41	100	41	100	123	100

Source: Own Survey, 2009

poverty rate of Ethiopia one can understand that there is low purchasing power or there is high deficiency of demand. Studies show that the per capita expenditure in Tigray region 854.00 (Br.829.00 for rural areas and Br.996.00 for urban areas) (MOFED, 2002:165). This per capita expenditure is low when it is compared with other developing countries. The level of poverty in Tigray is 61 percent (62 percent rural and 61 percent urban) of population living below poverty line (MOFED, 2002:165). Due to this low level of per capita expenditure and high poverty rate, it



is expected to be abnormal or low level of demand or market. As it is indicated in the table 22 above most of the MSEs did not have much market problem however, significance number of the MSEs face demand deficiency. This market problem or demand deficiency can be highly minimized when the MSEs providing quality product and services, focus on advertisement and sales promotion, proper management, apply customer oriented practices and innovation.

**Table 22: Market of Other New Similar MSEs If Created**

Response if other new similar MSEs created will get market.	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Yes	30	73.1	30	83.3	32	78	92	74.7
No	9	21.9	5	12.1	7	17	21	17.2
Missing	2	5	6	14.6	2	5	10	8.1
Total	41	100	41	100	41	100	123	100

**Source:** Own Survey, 2009

According to table 22 above, if other new similar enterprises established, 74.7 percent of respondents of MSE owners believe that new comer MSEs will get market. In contrast few of the MSEs owners (17.2 percent) oppose for coming new business since they will not have market or demand for their product. From this we can conclude that if new MSEs are established and engaged in service, construction or manufacturing sectors they will get market.

#### 4.7. Constraints

According to table 23 below, during start-up of the business, a majority of the enterprises (52.9 percent) did not face constraints. And 40.6 percent of the MSEs face constraints. During operation unlike during start-up of the business majority of the enterprises (50 percent) faces constraints. 45.3 percent of the enterprises do not face constraint. During operation there are high constraints among construction and manufacturing sectors than service sector which is 52.5 percent, 52.5 percent and 46.5 percent respectively. This is because construction and manufacturing sectors require technology and skilled manpower. Inability to get skilled man power or technology may increase problems during operation. Among service sector 46.5 percent

Table 23: Challenges during Start –up and Operation

Response if this enterprise faces constraint during start-up	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Yes	14	35.2	19	46.5	17	41.4	50	40.6
No	26	63.4	17	41.4	22	53.6	65	52.9
Missing	1	2.4	5	12.1	2	5	8	6.5
Response if this enterprise faces constraints during operation.								
Yes	21	52.5	21	52.5	19	46.5	61	50
No	19	47.5	16	38.5	19	46.5	54	45.3
Missing	1	2.4	4	9	3	7	8	4.7

**Source:** Own Survey, 2009

of the respondents do not have constraints during operation. 47.5 percent of manufacturing sector and 38.5 percent of construction sector also do not face constraints during operation.

The researcher has divided the constraints: internal and external. The internal factors can be during start up or operations, which hinder the normal functioning of MSEs, include: limited human capital (the skills, schooling, technical know-how and motivation of employees), lack of working capital, the utilization of obsolete technology and poor location.

The external factors can be during start up or operations which affect the normal functioning of MSEs, include: low access to financial service and low business development services, limited market and poor supply of economic infrastructure and public Services. Low business development service include training, consultancy and advisory services, marketing assistance,

information, technology development and transfer, business linkage promotion, and linkages to finance and financial services.

In this survey, majority of them (75 percent) said that shortage of finance limited them not work or use their potential. 45.6 percent of MSE owners indicated that lack of efficient, reliable, safe and affordable infrastructure is also their problem. The mentioned physical infrastructure facilities are not adequately developed or expanded in Mekelle to meet the growing demands of MSEs activities. 52.4 percent of MSEs reported that they have problems related to business premises such as an increase in house rent, lack of basic services such as telephone lines, electricity supply, sewerage and water services.

In mekelle, regarding to the constraints also confirmed by ( Zaid,N and Tourban,K 2003) lack of market and shortage of capital found out to be the most pressing and leading problems facing in MSEs Mekelle. However, in this research market problem was not found the most pressing problem. Apart from these ( Zaid,N and Tourban,K. 2003) added that lack of inputs, insufficient working premises, lack of knowledge and skills, problems in government procedures, and infrastructural problems constitute the other problem areas. In Malawi a study made by (Mead, D, C. & Liedlholm, C. 2000) credit was identified as the most pressing problem and access to raw materials was listed as important constraints.

# CHAPTER FIVE

## SUMMARIES, CONCLUSIONS AND RECOMMENDATIONS

### **5.1 Summaries and Conclusions**

Micro and small enterprises (MSEs) are among the major economic activities in the Tigray region next to agriculture (MOFED 2002). Many people in Tigray are employed and get income by working in these organizations. Besides employment and income contribution, they played a great role in economic development of the region by supplying different goods and services to the community.

This study focuses on MSEs in employment creation and income generation in Mekelle city by reviewing three sectors. The sectors were construction, manufacturing and service. These different sectors were taken in order to show a comparison among sectors and provide a good sample size representative of MSEs. About 123 sample from MSEs owners and 106 from MSEs employees have been covered by the survey study. Based on this, the findings and results of the survey can be summarized as follows:

A majority of owners of MSEs are between the age of 24-29 and this covers 51.5 percent of the total owners' response and majority of the employees of MSEs (33.2 percent) are in the age range of 24-29. From this it can be drawn that majority of the MSE owners age are among the ones the country's desired economic development can be attained by. 9-12 grades are the level of education for majority of MSE owners and employees, which in percentage accounts for 36.3 percent of the owners and 41.8 percent of employees. Majority of the MSE owners and employees have less than diploma level of education which are 67.9 and 71.4 percent out of the total respondents respectively. The level of education indicates that they need a higher level of education to run the manufacturing industry and other sectors and to accept easily new ideas and technology. With regards to the establishment of the MSEs, 74.4 percent of the MSE establishments are recently established between 2000-2006. With regard to growth rate of MSEs, majority of the MSEs owners have shown a growth and 68.9 percent of the MSEs owners

measure their growth rate in terms of income. The research paper has seen a five year trend of Mekelle city, and there is consecutive growth in number of establishment in MSEs with different growth rates. And the average growth rate in number of establishment in five consecutive years is 19.8 percent.

In employment creation, MSEs created jobs for many individuals. The average employee of MSEs is 7.05 per MSEs in Mekelle city. Based on this average employee of MSEs, those 23,834 MSEs exist in Mekelle employee 168,029 persons. There is an increase in average employees of MSEs from year to year. The dominant type of employment in these MSEs is full time self business for owners of MSEs and full time recruited for employees of MSEs. From this it can be concluded that most of MSEs has a great role in reducing unemployment of the city.

Owners and employees get income from MSEs and use for different purposes. Most of the MSE owners (44.6 percent) annual average income of five years is between 30,001-60,000 birr and 42.2 percent of the employees get annual average income of five year from 7,201-8,400 birr. Most of the owners use income for creating new businesses. However, the employees use income primarily for household needs and this is because income of employees is very low to save or create new business. Regarding sustainability of the business, majority of MSEs are sustainable because of they are supported by the society, do not affect the environment and get demand for their product. Obstacles or constraints are faced during the operation of MSEs in a majority of the respondents, while majority of the MSEs during startup do not faces constraints. The major constraints are financial problems and shortage of work premises work premises as mentioned by majority of respondents.

## **5.2 Recommendations**

Based on the major findings mentioned in the analysis, a number of policy recommendations have been drawn with the view to improve the role of micro and small enterprises in contribution to employment and income generation.

## 1. Access to credit

Although savings are one of the means of accumulation of capital, often savings alone cannot be sufficient for running and expanding business operations, thus, there is a need for creating lines of credit. The support of MFIs and Banks should be encouraged through varying methods, such as widening the kind or range of collaterals, providing credit by making longer repayment, increase the amount of loan provided for group based lending.

## 2. Provide work place

The construction of market sheds and common facility centres at suitable locations by assistance of the government, donors and private sector could help to address this problem. Thus, government with support from donors could engage in constructing shades for MSEs to address the problem of work place, coupled with measures to encourage private investors to engage in construction of premises suitable for entrepreneurs. In this regard, the government should provide certain incentives for private investors such as tax relief for some time and availing of lease-free land, etc. Creating work premises would benefit MSEs in reducing costs of high rent, reducing displacement, reducing closures of an enterprise. In addition, if MSEs have a constant work place, they can draw long year strategic plans regarding expansion of the business.

## 3. Marketing Assistance

With regard to marketing support, the following measures need to be encouraged by the government.

- Linking MSEs with medium and large firms to serve as market outlets.
- Provision of training on quality improvement and cost reduction modalities.
- Provision of information on market opportunities & appropriate/improved technologies.
- Construction of display centres and provision of advertising support.
- Establishment of market information centres.

## 4. Business Development Services

Provision of business development services such as training technical and managerial, advisory and counselling services are very crucial for sustainable growth of MSEs. In this regard support

agencies need to tailor their training and an advisory service to meet the specific needs and situation of MSEs. Support organizations can also play facilitating roles by referring and linking MSEs to other organizations for special skills training. The managerial trainings can be how to record, how to do the debit and asset etc. The technical training should be given depending on the type of the business and sector so that it will help MSEs to supply goods and services in quality and quantity thereby get demand for their products. Both these trainings should be given to new as well as existing MSEs.

## **5. Improving Educational System**

The Tigray regional state of trade and industry should participate in designing and implementing good educational policy that can help youngsters to be innovators and self employed. The unemployment rate and low income can be reduced highly if there is a good educational policy, which encourages creating job and high productivity there by increases income.

## **6. Carrying with Follow Up and Evaluation and Provide Integrated Support**

Conducting follow up and evaluation will lead to MSEs to know their problems and give support. Based on the focus group discussion conducted with MSEs, supports provided were not integrated with different offices such as business training with credit and work premises. Therefore, the local administration of the city has to be integrated in any supports provided to MSEs in order to enhance their capacity and ensure sustainability of the enterprise.

## **7. Capacity Building to Bureaus**

The supporting agencies and organizations such as, government and donors should to Strengthened, bureau of trade and industry at regional and zone level, local administration and chambers of commerce through providing the necessary hard and software facilities.

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## Annex I

### Operational Definition

- **Micro and Small Enterprise (MSE)** can be defined as a group of people working together for financial gain subject to the limits on numbers of workers and capital (Michael,1986:324)

Tigray Regional State Bureau of Trade, Industry and Transport defined:

- **Micro-Enterprises:** as small business enterprises with a paid-up capital of not exceeding 20,000 birr and excluding high tech consultancy firms.
- **Small Enterprises:** are those business enterprises with a paid-up capital of above 20,000 up to 500,000 Birr and excluding consultancy firms and other high tech establishments.
- **Sole Ownership:** is a single person who holds the entire firm as his personal property and operates and manages on a day to day basis (Michael, 1986: 410).
- **Cooperatives:** is a group of people who holds the entire firm as their personal property and operates and manages on day to day basis (Michael, 1986: 410).
- **Full Time Recruited:** an individual who recruited or work in organization the whole working hours.
- **Part Time Recruited:** an individual who work in one enterprise in his/her spare-time  
is not in a full time contract.
- **Working Age Group** is an age level between 14-66 and this age is capable to work; psychologically, socially and physically.

## Annex II

Table 1 Location of the Enterprises in Relation to Market Area

Location of enterprises in relation to market area	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq	%
Home	9	22.5	14	33.3	5	11.9	28	22.6
Industrial site	6	15	6	14.3	1	2.4	13	10.5
Traditional market	-	-	2	4.8	1	2.4	3	2.4
Commercial district shop	15	37.5	11	26.2	22	52.4	48	38.7
Roadside	8	20	4	9.5	13	31		
Other	1	2.5	-	-	-	-	0	1

**Source:** Own Survey, 2009

Table 2 Reasons for Starting the Business

Reasons for starting business	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Background skill	37	90.2	31	75.6	35	85	103	83.7
Expectation of good income	4	9.8	9	22.4	4	9.7	17	13.5
Requires low start-up capital	-	--	1	2	2	0.4	3	2.8
Other	-	-	-	-	-	-	-	-
Total	41	100	41	100	41	100	123	100

**Source:** Own Survey, 2009

Table 3 Support Provided at Start-Up by Government

Support provided	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Yes	13	32.5	21	56.8	8	20	42	35.9
No	27	67.5	16	43.2	32	80	75	64.1

**Source:** Own Survey, 2009

Table 4 Type of Support Received by the Enterprise during Start - Up

Type of support received during startup	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Managerial training	3	23.1	3	14.3	1	11.1	7	16.3
Credit facilities	4	30.8	11	52.4	6	66.7	21	48.8
Work premises	-	-	2	9.5	1	11.1	3	7
Market linkage	1	7.7	2	9.5	1	11.1	4	9.3
Technical training	4	30.8	2	9.5	-	-	6	14
Financial training	1	7.7	1	4.8	-	-	2	4.7
Others	-	-	-	-	-	-	-	-

**Source:** Own Survey, 2009

Table 5 Previous Occupations

Previous occupations	Manufacturing		Construction		Service		Total	
	Freq	%	Freq	%	Freq	%	Freq	%
Nongovernmental Organization	2	5.6	3	11.1	4	12.5	9	9.5
Student	3	8.3	9	33.3	5	15.6	17	17.9
Daily laborer	6	16.7	4	14.8	6	18.8	16	16.8
House wife	5	13.9	2	7.4	2	6.3	4	4.2
Private business employee	16	44.4	8	29.6	9	28.1	33	34.7
Government employee	4	11.1	1	3.7	5	15.6	11	11.6
Other	4	11.1	-	-	1	3.1	5	5.3

**Source:** Own Survey, 2009

Table 6 Source of Initial Capital in 2004 and Before 2004

Source of initial capital	Manufacturing		Construction		Service		Total	
	Freq	%	Freq	%	Freq.	%	Freq.	%
Loan from NGOs	-	-	2	4.8	-	-	2	1.6
Loan from microfinance	4	10	6	14.3	4	9.5	14	11.3
Loan from government	3	7.5	4	9.5	3	7.1	10	6.1
Family	13	32.5	17	40.5	8	19	40	31.3
Own saving	15	37.5	10	23.8	23	54.8	46	38.1
Other	5	12.5	3	7.1	4	9.5	12	9.7

**Source:** Own Survey, 2009

Table 7 Source for Current Capital or Operation in 2009

Source of current capital	Manufacturing		Construction		Service		Total	
	Freq	%	Freq	%	Freq	%	Freq	%
Loan from NGOs	-	-	-	-	-	-	-	-
Loan from microfinance	4	12.1	4	14.3	2	5.3	10	10.1
Loan from government	5	15.2	6	21.4	6	15.8	17	17.2
Family	9	27.3	10	35.7	5	13.2	24	24.2
Own Saving	13	39.4	8	28.6	23	60.5	44	44.4
Other	2	6.1	-	-	2	5.3	4	4

**Source:** Own Survey, 2009

Table 10 Dynamics or Growth of MSEs

Response whether their enterprise shows growth or not.	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq	%	Freq	%
Yes	38	95	36	94.7	36	92.3	110	94
No	1	2.5	1	2.6	1	2.6	3	2.6
Not known	2	2.5	1	2.6	2	5.2	4	3.4

**Source:** Own Survey, 2009

Table 11 Response If This Enterprise Expands, Will Get Market

Response if this enterprise expands, will get market	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq	%	Freq.	%
Yes	35	92	34	93	3	95	106	94
No	6	8	5	7	3	5	16	6

**Source:** Own Survey, 2009



Table 12 Responses If They Ever Sought Assistance

Response if they ever sought assistance	Manufacturing		Construction		Service		Total	
	Freq	%	Freq.	%	Freq	%	Freq	%
Yes	21	61.5	28	71.8	22	55	74	62.7
No	15	38.5	11	28.2	18	45	44	37.3
Total	37	100	39	100	40	100	118	100

**Source:** Own Survey, 2009

Table 13 Requested Supports

Type of support requested	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Financial training	9	21.9	7	17	8	19.5	24	19.5
Working place	24	58	18	43.9	12	29.2	54	43.9
Managerial training	5	12	3	7.3	3	7.3	11	8.9
Technical training	1	2	6	14.6	1	2	8	6.5
Market creation	9	21.9	11	26.8	5	12.1	25	20..3
Finance	13	31.7	9	21.9	8	19.5	30	24.3

**Source:** Own Survey, 2009

Table 14 Assistance Requested Organization

Assistance asked to	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Government	21	80.8	16	57.1	14	73.7	51	69.9
Nongovernmental organization	-	--	4	14.3	-	-	4	5.5
Private business	5	19.2	8	28.6	2	10.5	15	20.5

**Source:** Own Survey, 2009

Table 15 Response to Financial Training

Response to financial training if they have taken	Manufacturing		Construction		Service		Total	
	Freq	%	Freq	%	Freq	%	Freq.	%
Yes	12	33.3	12	33.3	11	31.4	41	37.6
No	24	66.7	24	66.7	24	68.6	68	62.4

**Source:** Own Survey, 2009

Table 16 Response to Managerial Training

Response to managerial training if they have taken.	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq	%	Freq.	%	Freq.	%
Yes	13	39.4	13	32.5	8	24.2	34	32.1
No	20	60.6	27	67.5	25	75.8	72	67.9

**Source:** Own Survey, 2009

Table 17 Response to Technical Training

Response to technical training if they have taken.	Manufacturing		Construction		Service		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Yes	15	42.9	11	35.5	9	29	35	36.1
No	20	57.1	20	64.5	22	71	62	63.9

**Source:** Own Survey, 2009

### **Annex III**

**MEKELLE UNIVERSITY  
COLLEGE OF BUSSINESS AND ECONOMICS  
DEPARTMENT OF MANAGEMENT**

**POST GARDUATE PROGRAM IN DIVELOPMENT STUDIES  
QUESTIONARIES FOE ROLE OF MSES ON EMPLOYMENT CREATION  
TO MICRO AND SMALL ENTERPRISE OWNERS IN MEKELLE TOWN**

**ANY INFORMATION YOU PROVIDE FOR THE PURPOSE OF THIS SURVEY  
WILL BE TREATED CONFIDENTIALLY AND WILL NOT BE ATTRIBUTED TO  
ANY PARTICULAR BUSINESS OR INDIVIDUAL**

#### **1 Fill the following background information**

Woreda \_\_\_\_\_ Kebelle \_\_\_\_\_  
Interviewer name \_\_\_\_\_ Code \_\_\_\_\_  
Interview date \_\_\_\_\_ Checked by \_\_\_\_\_ Entered by \_\_\_\_\_

#### **2 Fill the following information**

2.1. Sex 1. Male 2. Female

2.2. Age \_\_\_\_\_

2.3. Marital status

1. Married                      2. Unmarried                      3. Divorced  
4. Under age                      5. Widowed                      6. Other (specify) \_\_\_\_\_

2.4. Religion

1. Orthodox      2. Muslim      3. Protestant      4. Catholic      5. Other

## 2.5. Educational level

- |                 |                            |                        |         |            |
|-----------------|----------------------------|------------------------|---------|------------|
| 1. Illiterate   | 2. 1-4                     | 3. 5-8                 | 4. 9-12 | 5. Diploma |
| 6. First degree | 7. Second degree and above | 8. Read and write only |         |            |

## 3. Enterprise information

3.1. What is your type of sector or business? \_\_\_\_\_

3.2. When does this enterprise started operation? \_\_\_\_\_

3.3. What is the form of ownership of this enterprise? \_\_\_\_\_

1. Sole      2. Cooperative      3. Others (specify) \_\_\_\_\_

3.4. How is the location of your enterprise in relation to market area?

1. Home      2. Mobile      3. Industrial site      4. Traditional market
5. Commercial district shop      6. Roadside      7. Other (specify) \_\_\_\_\_

## 4. Resource mobilization

4.1 What the principal source is of fund to start business? (Rank them on their percentage)

1. Loan from nongovernmental organization      2. Loan from microfinance
3. Loan from government      4. Loan from banks      5. Family

4.2. What is the principal source of fund for current operation? (Rank them on their Percentage)

1. Loan from Ngos      2. Loan from microfinance      3. Loan from government
4. Loan From banks      5. Family      6. Saving      7. Other(specify) \_\_\_\_\_

4.3. What was your capital, when you start-up your enterprises? \_\_\_\_\_

4.4. What is your capital at this time? \_\_\_\_\_

4.5. Have you taken loan in this five years time for your enterprises? 1. Yes      2. No

4.6. If you have borrowed money for your enterprise, please fill in the table below

Year of establishment	2004	2005	2006	2007	2008
Amount of borrowing every year					
Refunding every year					

4.7. What was the source of the borrowed money? (Rank them)

1. Nongovernmental organization      2. Family      3. Bank
4. Microfinance institution      5. Government      6. Other (specify) \_\_\_\_\_

## 5. Process of establishment (start up)

5.1. The major reason to engage in this business? (Rank them)

1. Back ground skill (education)      3. Requires low start-up capital
2. Expectation of good income      4. Other (specify) \_\_\_\_\_

5.2. Do you get any support from government during start-up of your enterprise?

1. Yes      2. No

5.3. If your answer to question 5.2 is 1(Yes), what kind of support?

1. Managerial training      5. Technical training
2. Credit facilities      6. Financial training
3. Work premises      7. Other (specify) \_\_\_\_\_
4. Market linkage

## 6. Measure of growth rate.

6.1. Does your enterprise show growth rate? 1. Yes 2. No

3. Stagnant      4. Not known

6.2. What are your measurements for growth rate? (Rank them)

1. Employment opportunities      2. Income creation
3. Opening other branch      4. Other (specify) \_\_\_\_\_

## 7. Employment creation

7.1. Do you have previous occupation? 1. Yes 2. No

7.2. If yes (1), what was your previous occupation?

1. Student                      2. Daily labor              3. House wife  
 4. Private business employees              5. Government employee  
 6. Nongovernmental organization      7. Other (specify) \_\_\_\_\_

7.3. In order to see the trends of job creation fill in the following table

Type of job created	Skill level		Number of employee									
	Unskilled (1)	Skilled (2)	2004		2005		2006		2007		2008	
			M	F	M	F	M	F	M	F	M	F
Full time recruited												
Part time recruited												
Casual worker												
Family part time job												
Family full time job												
Full time self business												
Part time self business												
Others												
Total No.												

## 8. Income creation

8.1 Fill in the following income questions

Type of job you work in this enterprise.	The last year total annual income before you start in this job or MSEs.	Average personal annual income, if there is other than this MSEs, after engaged in this business.	Average annual income from MSEs only. From 2004-2008				
			04	05	06	07	08

8.2. How do you use the income that gained from business? (Rank them)

- |                          |                            |                     |
|--------------------------|----------------------------|---------------------|
| 1. Create business       | 2. Use for household needs | 3. Medical expenses |
| 4. Use for entertainment | 5. Children's education    | 6. Put into saving  |
| 7. Reinvest              | 8. Other (specify) _____   |                     |

## 9. Profitability

9.1. Is your enterprise profitable? 1. Yes 2. No

9.2. If your enterprise is profitable, fill the following table

Years	2004	2005	2006	2007	2008
Amount of profit					

## 10. Services provided

10.1. List the most critical support you need to be provided by government in the order of priority? \_\_\_\_\_

10.2. Have you ever sought assistance? 1. Yes 2. No

10.3. If your answer to question number 10.2 is yes (1), what kind of assistance did you ask for?

- |                       |                        |                    |
|-----------------------|------------------------|--------------------|
| 1. Financial training | 2. Managerial training | 3. Working place   |
| 4. Technical training | 5. Working place       | 6. Market creation |
| 7. Finance            |                        |                    |

10.4. If your answer question number 10.2 is yes (1), to which organization do you ask for? (Rank them)

- |                         |                                 |
|-------------------------|---------------------------------|
| 1. Government           | 2. Nongovernmental organization |
| 3. Private organization | 4. Other (specify) _____        |

10.5. Have you taken training on

- |                        |              |
|------------------------|--------------|
| 1. Financial training  | 1. Yes 2. No |
| 2. Managerial training | 1. Yes 2. No |
| 3. Technical training  | 1. Yes 2. No |

## **11. Sustainability of the enterprise**

11.1. Is your enterprise socially supported? 1. Yes 2. No

11.2. Is your enterprise environmental friendly? 1. Yes 2. No

11.3. Do you get market for your product? 1. Yes 2. No

11.4. Do you think that other new similar MSEs, if established will get market?

- |        |       |
|--------|-------|
| 1. Yes | 2. No |
|--------|-------|

11.5. Do you think that will get market for your product, if you expand your enterprises?

- |        |       |
|--------|-------|
| 1. Yes | 2. No |
|--------|-------|

## **12. Constraints**

12.1. Do you face constraints when you start-up your enterprise?

- |        |       |
|--------|-------|
| 1. Yes | 2. No |
|--------|-------|

12.2. Do you face constraints during operation?

- |        |       |
|--------|-------|
| 1. Yes | 2. No |
|--------|-------|

12.3. If your answer to questions number 11.1 is yes (1), please mention the main problems that affect negatively your enterprise during start-up?

---



12.4. If your answer to question number 11.2 is yes (1), please mention the main problems that affects your enterprise negatively?

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**THANK YOU FOR YOUR CO-OPERATION**

**Annex IV**

**MEKELLE UNIVERSITY  
COLLEGE OF BUSSINESS AND ECONOMICS  
DEPARTMENT OF MANAGEMENT  
POST GARDUATE PROGRAM IN DIVELOPMENT STUDIES**

**QUESTIONARIES FOE ROLE OF MSES ON EMPLOYMENT CREATION  
TO MICRO AND SMALL ENTERPRISES EMPLOYEES IN MEKELLE TOWN**

**ANY INFORMATION YOU PROVIDE FOR THE PURPOSE OF THIS SURVEY  
WILL BE TREATED CONFIDENTIALLY AND WILL NOT BE ATTRIBUTED TO  
ANY PARTICULAR BUSINESS OR INDIVIDUAL**

**1 Fill the following background information**

Woreda \_\_\_\_\_ Kebele \_\_\_\_\_  
Interviewer name \_\_\_\_\_ Code \_\_\_\_\_  
Interview date \_\_\_\_\_ Checked by \_\_\_\_\_ Entered \_\_\_\_\_

**2 Fill the following information**

2.1. Sex 1. Male 2. Female

2.2. Age \_\_\_\_\_

2.3. Marital status

1. Married

2. Unmarried

3. Divorced

4. Under age

5. Widowed

6. Other (specify) \_\_\_\_\_

2.4. Religion

1. Orthodox

2. Muslim

3. Protestant

4. Catholic

5. Other

2.5. Educational level

- |                 |                            |                        |         |            |
|-----------------|----------------------------|------------------------|---------|------------|
| 1. Illiterate   | 2. 1-4                     | 3. 5-8                 | 4. 9-12 | 5. Diploma |
| 7. First degree | 7. Second degree and above | 8. Read and write only |         |            |

**3. Employment creation**

3.1. Do you have previous occupation? 1. Yes 2. No

3.2. If yes (1), what was your previous occupation?

- |                        |                                 |               |                               |
|------------------------|---------------------------------|---------------|-------------------------------|
| 1. Student             | 2. Daily laborer                | 3. House wife | 4. Private business employees |
| 5. Government employee | 6. Nongovernmental organization | 7. Other      |                               |

3.3. In order to see the trends of job creation fill in the following table

Type of job created	Skill level		Number of employee									
	Unskilled (1)	Skilled (2)	2004		2005		2006		2007		2008	
			M	F	M	F	M	F	M	F	M	F
Full time recruited												
Part time recruited												
Casual worker												
Family part time job												
Family full time job												
Full time self business												
Part time self business												
Others												
Total No.												

#### 4. Income creation

8.1 Fill in the following regarding income questions

Type of job you work in this enterprise.	The last year total annual income before you start in this job or MSEs.	Average personal annual income, if there is other than this MSEs, after engaged in this MSEs.	Average annual income from MSEs only.				
			04	05	06	07	08

8.2. For what purpose do you use your income? (Rank them)

- |                          |                            |                     |
|--------------------------|----------------------------|---------------------|
| 1. Create business       | 2. Use for household needs | 3. Medical expenses |
| 4. Use for entertainment | 5. Children's education    | 6. Put into saving  |
| 7. Other (specify) _____ |                            |                     |

#### 5. Training

5.1. Have you taken training on

- |                        |        |       |
|------------------------|--------|-------|
| 1. Financial training  | 1. Yes | 2. No |
| 2. Managerial training | 1. Yes | 2. No |
| 3. Technical training  | 1. Yes | 2. No |

## **Annex V**

### **Check List of Focus Group Discussion One for MSE Owners and Others**

1. What are MSEs?
2. Do MSEs have contribution to employment? If yes, to what extent? To what age group, sex etc?
3. If your answer to question number 2 is yes, what are the types of employments and what types of employment have more employees?
- 4 .Do MSEs create income? If the answer is yes, to what extent will they create income?
5. What kinds of supports are provided to MSEs?
6. Do MSEs are sustainable? If the answer is yes, to what extents are MSEs sustainable?
7. Do MSEs face challenges? If the answer is yes, what are the obstacles that faces MSEs?
8. What kinds of measures have to be taken to solve the challenges?

## **Annex VI**

### **Check List of Focus Group Discussion Two for MSE Employees and Other**

1. What is the most dominant type of employment?
2. To what extent most of the employees get income?
3. For what purpose do the employees of MSEs use income?
4. Do MSEs are sustainable? If the answer is yes, to what extents are most of the employees sustainable?